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Item 6 (b) of the provisional agenda

FIELD REPRESENTATION

Programmatic reform and decentralization

Report by the Director-General

Reports on recent developments in field operations and field representation, thereby updating information in the *Annual Report 2002* and documentation submitted to the twenty-fourth session of the Board.

Introduction

1. The Industrial Development Board adopted at its twenty-sixth session the strategic guidelines "Towards improved UNIDO programme delivery" (IDB.26/Dec.7) providing additional clear guidelines to the Secretariat to various ongoing efforts based on earlier decisions of the policy-making organs. The present report deals with two key areas dealt under the "Critical issues in the provision of technical cooperation services" of the strategic guidelines: improving field operations, with particular emphasis on integrated programmes (IPs) and country service frameworks (CSFs); and field representation, including decentralization.

2. The Business Plan on the Future Role and Functions of UNIDO states, inter alia, that "an effective decentralization of activities and strengthened field representation has to be secured". At its twenty-fourth session, the Industrial Development Board had before it a progress report by the Director-General on field representation (IDB.24/15) and a conference room paper on the current situation and future plans (IDB.24/CRP.5). The report indicated that, based on consultations with Member States, organizational efforts in 2002-2003 would be directed towards stabilizing the existing field structure. The Board took note of the documentation submitted by the Secretariat.

3. Accordingly, the Secretariat concentrated its efforts in optimizing the existing field structure and focused on how to enhance the decentralization process accompanied by delegation of authority to the field within the given budgetary limitations with a view to improving field operations with particular attention to IPs and CSFs. Various measures described in the following paragraphs were aimed not only at strengthening the field office network but also at achieving greater impact in recipient countries, which in turn requires UNIDO to be responsive to rapidly changing conditions, demand-oriented, and close to the client, and at the same time to ensure a timely service delivery and better integration in the United Nations system with its Millennium Development Goals at the field level.

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I. STRENGTHENING DECENTRALIZATION

A. Organizational support of the programmatic reform

4. In 2002 the organizational structure (UNIDO/DGB/(O).86/Add.9) was adjusted to support the programmatic reform through consolidation into two major programmatic divisions: the Programme Development and Technical Cooperation Division (PTC) and Programme Coordination and Field Operations Division (PCF). The creation of PTC brought together all the substantive areas, strengthening the technical backbone of the Organization. In creating PCF the key aim was to concentrate the management of all field operations, to manage the decentralization process and to improve coordination with respect to the three central functions: field coordination and management, funds mobilization and the global forum function.

5. The issues related to decentralization to the field were extensively discussed at the meeting of UNIDO Representatives (URs) organized at Dar-es-Salaam in February 2003 and at the retreat of the Board of Directors that followed. As a result of this retreat, three working groups ("commissions") were established. Commission III was mandated to work out the decentralization strategy with a particular emphasis on the redeployment of authority and responsibility to the field.

6. At the same time, steps were taken to develop or improve processes and modalities that would better support the programmatic reform. They are guided by the principle established in the Director-General's Bulletin on "Enhancing Organizational Capacity" (UNIDO/DGB(M).91): Staff of various Headquarters units and field staff would function as a team, complementing each other's experience to achieve maximum impact, and should be able to appear and provide services as one UNIDO in the field.

B. Integrated programmes and country service frameworks—Review and adjustment

7. Based upon a review and classification of IPs and CSFs carried out in October 2002, the Executive Board decided that UNIDO should pursue a systematic process for adjustment and modifications of IPs and CSFs under the leadership of PCF, taking into consideration their funding and implementation experience. This adjustment process is being carried out in close consultation with the authorities in the countries concerned. It also took into account the results of the in-depth evaluation carried out in late 2002 and early 2003 (Guatemala, Mozambique, Sri Lanka and the United Republic of Tanzania). This process is now reaching the final stage.

8. Following the deliberations of the recent nineteenth session of the Programme and Budget Committee, the Director-General entrusted the Managing Director of PCF to go further in the assessment exercise and to develop suitable performance indicators. For this purpose a small group was established under the chairmanship of the Director, Strategic Research and Economy Branch. In developing an indicator framework, the group drew on two ongoing UNIDO works: a rapid country assessment methodology based on the scoreboard approach included in the Industrial Development Report, and the evaluation framework. Before possible replication in other IPs and introducing this combined approach as standard methodology for UNIDO, it is being tested in Tanzania. At the same time, other impact measurements would be carried out based on the adjusted IPs and CSFs.

II. DECENTRALIZATION

A. Enhanced decentralization process—Regional bureaux as one-stop shops

9. To enhance the decentralization process Director-General's Bulletin UNIDO/DGB(M).91 of 14 November 2002 strengthened the role of the regional bureaux, which—together with the field office network—constitute the "regional programmes" in their respective regions. This "regional programme" approach not only allowed a smooth advancement of the decentralization process but also enabled UNIDO to flexibly adapt itself to the particular conditions and circumstances of each region in increasingly shifting the emphasis towards the field.

10. In March 2003, all the project allotment documents (PADs) (except for Montreal Protocol projects) in Latin America and the Caribbean as well as Europe and NIS were transferred to the directors of the respective regional bureaux to improve coordination and management of technical cooperation activities. This measure broadened the extent of decentralization by some 18 per cent of total technical cooperation delivery in 2002. With the 5 per cent covered by the six URs as team leaders of IPs/CSFs, the decentralization process so far has expanded to some 23 per cent of the total 2002 implementation value.

11. Based on the experience gained from these pilot cases in Latin America and the Caribbean as well as Europe and NIS, the decentralization process will be expanded to other regions, taking into account the characteristics of each. At the same time, the team leadership of IPs/CSFs will gradually be shifted to the "regional programmes" (i.e. to the regional bureaux and to the URs). These processes are expected to be completed before the end of 2003. One emerging feature of these new arrangements is that the regional bureaux can now function as "one-stop shops" with regard to countries of their coverage.

B. Delegation of programmatic authority to the field

12. To provide more programmatic authority to the URs, the Executive Board appoints them as team leaders of IP/CSF formulation teams and increasingly also as team leaders for the implementation of new IPs/CSFs. As reported to the Board at its twenty-fifth session, PADs for all IPs/CSFs were transferred in May 2002 to the respective team leaders, who thereby became allotment holders, thus receiving full authority and responsibility for implementation. This measure was introduced to support the team leaders in maintaining the coherency and integration of the programmes during their implementation phase. At present, there are six URs appointed as team leaders under this arrangement. Measured in terms of 2002 technical cooperation delivery, these six cover some 22 per cent of total IPs/CSFs and 5 per cent of total technical cooperation. The number of appointments of URs as team leaders will be increased gradually and on a selective basis to take into account the capacity of the individual offices so that some 50 per cent of URs currently in the field would be entrusted with this function by the end of 2003.

C. Field office structure and staffing

13. While advancing and further refining the above decentralization process, Commission III is developing a proposal to streamline the field office network structure based on a model that would be realistic and feasible, taking into account the following competing factors:

(a) The demand for a UNIDO field presence is greater than the existing office network, from a programmatic perspective;

(b) The need for a UNIDO country presence is growing due to the increasing importance of active participation in the United Nations Development System (UNDS) and in the work of its Country Team (UNCT);

(c) The new field network structure should not lead to an increase of the budget for the biennium 2004-2005;

(d) The new structure should provide a sound basis and infrastructure that would allow decentralization to a maximum degree within this budgetary limitation.

14. In 2003, two field offices will be added: Morocco in view of a very active IP of a significant size; and South Africa in light of the newly-approved CSF and the important role it could play in the subregion. A possibility is being examined to cover Latin America and the Caribbean by three regional offices by converting Mexico from a country to a regional office. This would result in an field office network that would consist of 19 country and 10 regional offices by the end of 2003, compared to 20 and 9 respectively, in November last year. Further adjustments of this network in the coming years are inevitable in order to respond to the changing conditions and programmatic developments.

15. The proposed programme and budgets, 2004-2005, include these two new field offices, and reduction of five Professional posts from the regional offices. Given the budgetary constraints expected in the coming years, consolidation of field offices will become necessary. At the same time, efforts will be made to minimize vacancies, to further decentralize Professional posts from Headquarters to the field and to establish an improved rotation policy and system in an attempt not to further aggravate the demand-supply gap in field representation. The adjustment of the field office structure will be carried out carefully with a focus on the core elements required for according the URs the leading role in field operations and the ability to be an active partner of the United Nations development process, e.g. through their participation in the United Nations Country Teams. The qualifications of a UR should include UNIDO work experience in the light of the added responsibility to manage technical cooperation activities in the field. Therefore, in selecting candidates for UR positions, priority will be given to internal applicants.

D. Instruments to support field office operations

16. While clear progress has been made in moving the decentralization process to the field, further support and reinforcement are needed, for example through building up field office capacity, increased networking with Investment and Technology Promotion Offices (ITPOs) and National Cleaner Production Centres (NCPCs), and better access to Headquarters information. A systematic approach in networking field offices, ITPOs and NCPCs was launched in late 2002, initially by linking field offices and ITPOs on the one hand, and ITPOs and NCPCs on the other.

17. Pending availability of direct access to the financial control system, required information and data from the financial performance control system (Agresso) will be provided to the field offices through the UNIDO Intranet. Furthermore, a Web page for URs is being launched and will facilitate communication and information exchange between URs and Headquarters and also among URs. At the same time, a field manual to facilitate their work is ready for issuance as soon as the procedural details of the above decentralization process are finalized.

III. ACTION REQUIRED OF THE BOARD

18. The Board may wish to take note of the present document.